

**REPORT OF THE BOARD OF DIRECTORS  
OF PJSC MMC NORILSK NICKEL**  
**including a reasoned viewpoint of the Company's Board of Directors**  
**on agenda items of the Annual General Meeting of the Shareholders of the Company**  
**June 10, 2016**

**1. Approval of the annual report of PJSC MMC Norilsk Nickel for 2015.**

Recommendation:

The Board of Directors recommends approving the annual report of PJSC MMC Norilsk Nickel for 2015.

Viewpoint of the Board of Directors:

The Board of Directors preliminarily reviewed the annual report.

The annual report is prepared in accordance with the Federal Law On Joint-Stock Companies and complies with the requirements of the Regulation on information disclosure by the securities issuers, approved by Bank of Russia on 30.12.2014 Decree No 454-p regarding the content of the annual report and recommendations of the Corporate Governance Code.

**2. Approval of annual financial statements of PJSC MMC Norilsk Nickel for 2015.**

Recommendation:

The Board of Directors recommends approving the annual financial statements of PJSC MMC Norilsk Nickel for 2015.

Viewpoint of the Board of Directors:

The Board of Directors reviewed the annual financial statements for 2015 (Russian Accounting Standards – RAS). The Board of Directors also examined the opinion of the Company's auditor, i.e. Rosexpertiza LLC, concerning RAS financial statements of PJSC MMC Norilsk Nickel and the opinion of the Internal Audit Commission of PJSC MMC Norilsk Nickel on the performance of PJSC MMC Norilsk Nickel in 2015.

Having analyzed the provided information and based on the auditor's opinion, the Board of Directors believes that the RAS financial statements were prepared according to applicable rules and give a true and fair view of the Company's financial position as of December 31, 2015, its performance and cash flows in 2015 in compliance with RAS.

**3. Approval of 2015 consolidated financial statements of PJSC MMC Norilsk Nickel, prepared in accordance with international financial reporting standards.**

Recommendation:

The Board of Directors recommends approving the consolidated annual financial statements of PJSC MMC Norilsk Nickel for 2015.

Viewpoint of the Board of Directors:

The Board of Directors reviewed the consolidated annual financial statements for 2015, prepared in accordance with international financial reporting standards.

The Board of Directors also examined the opinion of the Company's auditor, i.e. JSC KPMG, concerning consolidated IFRS financial statements of PJSC MMC Norilsk Nickel and the opinion of the Internal Audit Commission of PJSC MMC Norilsk Nickel on the performance of PJSC MMC Norilsk Nickel in 2015.

Having analyzed the provided information and based on the opinion of the Auditor and Internal Audit Commission, the Board of Directors believes that the consolidated financial statements give a true and fair view of the Company's financial position in 2015 as of December 31, 2015, and that its financial results and cash flow statements for 2015 were prepared in accordance with the international financial reporting standards

**4. Distribution of profit of PJSC MMC Norilsk Nickel for 2015, including payment (announcement) of dividends, based on the results of 2015 fiscal year.**

Recommendation:

The Board of Directors recommends approving the following distribution of profit of PJSC MMC Norilsk Nickel for 2015 as follows.

Announce dividends on ordinary shares of PJSC MMC Norilsk Nickel, based on the results of fiscal year 2015, in the amount of USD 548 mln. or RUB 230.14 per ordinary share<sup>1</sup>. Dividend payments shall be carried out in cash. To propose that the Annual General Meeting of Shareholders set a record date for list of persons entitled to dividend payout at June 21, 2016.

For reference (in accordance with RAS accounts of OJSC MMC Norilsk Nickel as of 31.12.2015)

	<i>million RUB</i>
Retained earnings as of 31.12.2015 earmarked for dividend payout	160 448
Including:	
Net profit in 2015	146 213

The amount of net profit allocated toward current dividend payout amounts to RUB 36,417.8 mln.

Viewpoint of the Board of Directors:

The Board of Directors analyzed the production and financial results of PJSC MMC Norilsk Nickel for 2015, the current financial position, investment program, prioritized directions of the production and social development of PJSC MMC Norilsk Nickel in the future. Having analyzed the provided information and based on the auditor's opinion on the RAS financial statements, the Board of Directors believes that PJSC MMC Norilsk Nickel can distribute the net profit as described above.

The Board of Directors of OJSC MMC Norilsk Nickel believes that the Company has a reason to declare dividend on the Company's shares for 2015 and pay the dividend in accordance with Article 43 of the Federal Law 'On Joint-Stock Companies' assuming that as of the date of the decision on payment of the dividend and the date of dividend payment:

- PJSC MMC Norilsk Nickel does not show any signs of insolvency (bankruptcy) in accordance with applicable laws on insolvency (bankruptcy) of the Russian Federation and will not acquire the signs as a result of the dividend payment;
- the value of net assets of PJSC MMC Norilsk Nickel is not less than its authorized capital

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<sup>1</sup> As of 27.04.2016 exchange rate of 66.4559 RUB/USD

and reserve fund and does not become less than the mentioned capitals as a result of adopting of the decision to pay the dividend and the dividend payment (as of 31.12.2015 the value of net assets of PJSC MMC Norilsk Nickel is RUB 208 842 000 and exceeds the authorized capital and reserve fund by RUB 208 660 000).

**5. Election of members of the Board of Directors of PJSC MMC Norilsk Nickel.**

Recommendation:

The Board of Directors follows the Policy for Development and Approval of Recommendations for Voting on Nominations to the Board of Directors of OJSC MMC Norilsk Nickel and advises that shareholders vote for nominees, who meet the requirements for independent directors in accordance with the information available to the shareholders.

Viewpoint of the Board of Directors:

The Company is interested in having as members of the Board of Directors independent directors who have both knowledge and skills in the area of finance, production and strategy of holdings and can assist in the development of PJSC MMC Norilsk Nickel as one of the leaders of the global mining industry.

**6. Election of members of the Internal Audit Commission of PJSC MMC Norilsk Nickel.**

Recommendation:

The Board of Directors recommends supporting the election to the Internal Audit Commission of five candidates listed in the bulletin including: Arustamov Arthur Gagikovich, Svanidze Georgiy Eduardovich, Shilkov Vladimir Nikolaevich, Masalova Anna Viktorovna, Yanevich Elena Alexandrovna.

Viewpoint of the Board of Directors:

In accordance with paragraph 12.2. of the Articles of Association of PJSC MMC Norilsk Nickel the Internal Audit Commission consists of 5 members.

All candidates to the position of a member of the Internal Audit Commission are recognized experts whose business experience and accounting, financial and auditing knowledge and skills will help the Internal Audit Commission to fulfill its tasks more effectively.

**7. Approval of the Auditor of RAS statements of PJSC MMC Norilsk Nickel**

Recommendation:

The Board of Directors recommends approving JSC KPMG to the position of the Auditor of 2016 RAS financial statements of PJSC MMC Norilsk Nickel.

Viewpoint of the Board of Directors:

JSC KPMG has a substantial experience in providing auditing services to major metals and mining companies. KPMG sees its mission in transforming professional knowledge into a real economic benefit for its clients, staff and international capital markets.

**8. Approval of the Auditor of IFRS consolidated financial statements of PJSC MMC Norilsk Nickel**

Recommendation:

The Board of Directors recommends approving CJSC KPMG to the position of the Auditor of 2016 IFRS consolidated financial statements of PJSC MMC Norilsk Nickel.

Viewpoint of the Board of Directors:

JSC KPMG has been conducting IFRS consolidated financial statements audits for PJSC MMC Norilsk Nickel in 2009-2015. JSC KPMG is one of the leading international auditing organizations included in the “Big Four”.

**9. Remuneration and reimbursement of expenses of members of the Board of Directors of PJSC MMC Norilsk Nickel.**

Recommendation:

We propose remunerating members of Board and reimbursing them for costs incurred in the course of duty in accordance with the OJSC MMC Norilsk Nickel Board of Directors Remuneration Policy.

The suggested remuneration and compensation paid to the Chairman of the Board of Directors is determined in accordance with the international corporate practices in the experience of the largest companies in different industries giving consideration to opinion of notable independent consultants regarding the current arm’s length practice of determining the remuneration for non-executive directors.

Viewpoint of the Board of Directors:

In accordance with paragraph 2 of article 64 of the Federal Law ‘On Joint-Stock Companies’ the approving of remuneration payable members of the Board of Directors and of expenses associated with execution of their duties as members of the Board of Directors are reserved matters of the General Meeting of the Shareholders. Accordingly, it is recommended to approve the remuneration amount and reimbursement of expenses incurred by the Chairman of the Company’s Board of Directors.

**10. Remuneration of the Internal Audit Commission of PJSC MMC Norilsk Nickel.**

Recommendation:

The Board of Directors recommends approving remuneration amount of members of the Internal Audit Commission not employed by the Company.

Viewpoint of the Board of Directors:

In accordance with par. 1 art.85 of the Federal Law on Joint-Stock Companies and art.6 of the Regulation on Internal Audit Commission of PJSC MMC Norilsk Nickel approval of remuneration of Internal Audit Commission members lies within the authority of a General Meeting of Shareholders. Therefore it is hereby proposed that the General Meeting of Shareholders approve the remuneration amount of the Internal Audit Commission members: RUB 1 800 000 paid semi-annually in equal parts. The stated amount is before taxes in accordance with the Russian legislation.

**11. Approval of related party transactions for reimbursement of members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel for incurred losses.**

Recommendation:

The Board of Directors recommends approving the associated transactions that are related party transactions for all members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel the subject matter of which implies the obligation of PJSC MMC Norilsk Nickel to

indemnify the members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel for any and all losses that the mentioned persons may incur as a result of their election to the mentioned positions in the amount of no more than 115,000,000 (one hundred fifteen million) US Dollars per transaction.

Viewpoint of the Board of Directors:

In accordance with the Corporate Codes of Conduct it is recommended for a joint-stock company to use its own funds to insure the liability of the members of the Board of Directors so that if the Company or third parties incur any losses through a fault of the members of the Board of Directors, the losses could be indemnified using the funds of an insurance company. Based on estimates of the Bank of Russia and global practices, insuring the liability of the members of the Board of Directors will not only help improve the effectiveness of the civil liability but also convince competent experts of becoming members of the Board of Directors.

The procedure of insuring the liability of officials envisions the negotiation of an Indemnity Agreement between PJSC MMC Norilsk Nickel and each member of the Board of Directors and of the Management Board. The mentioned agreements provide for the obligation of PJSC MMC Norilsk Nickel to reimburse members of the Board of Directors and the Management Board for any and all losses that they may incur as a result of being elected to corresponding positions.

**12. Approval of a related party transaction for insurance of the liability of members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel.**

Recommendation:

The Board of Directors recommends approving the transaction that is a related party transaction for all members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel the subject matter of which is the insuring by a Russian insurance company of the liability of the members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel who are beneficiaries for the purposes of the transaction for a term of one year with a limit of liability in the amount of 200 000 000 US Dollars, and a limit of liability under an additional extension of the coverage for the master agreement in the amount of 25 000 000 US Dollars and with payment of an insurance premium that does not exceed 1,000,000 US Dollars.

Viewpoint of the Board of Directors:

In accordance with the Corporate Codes of Conduct it is recommended for a joint-stock company to use its own funds to insure the liability of the members of the Board of Directors so that if the Company or third parties incur any losses through a fault of the members of the Board of Directors, the losses could be indemnified using the funds of an insurance company. Based on estimates of the Bank of Russia and global practices, insuring the liability of the members of the Board of Directors will not only help improve the effectiveness of the civil liability but also convince competent experts of becoming members of the Board of Directors.

**13. Related party transaction between the Company and JSC NORMETIMPEX (Order to Commission Agreement No NN/1001-2009 dd. 21.12.2009).**

Recommendation:

The Board of Directors recommends that approval of the related party transaction between the Company and JSC NORMETIMPEX (Order to Commission Agreement No NN/1001-2009 dd. 21.12.2009) be submitted to the Annual General Meeting of Shareholders.

Viewpoint of the Board of Directors:

Current domestic (Russian Federation) and export sales of products held by PJSC MMC Norilsk Nickel are effected through JSC NORMETIMPEX acting sui juris within the framework of Commission Agreement No NN/1001-2009 dd. 21.12.2009.

To be able to sale PJSC MMC Norilsk Nickel's products after 2016 the Company has to issue order to Commission Agreement. The Order is to be issued for the period through to 2021 (inclusive). The Order to the Commission Agreement in addition to easier transaction processing it will allow JSC NORMETIMPEX to conclude long-term agreements with product consumers, which will help to improve stability of the Company's sales.